

June 23, 2009

Mayor and City Council  
City of Chattanooga  
Chattanooga, TN 37402

RE: Post Audit Review of Skate Park Cash Collections Audit, 08-02

Dear Mayor Littlefield and Council Members:

On December 2, 2008, the Internal Audit Division released an audit on the Skate Park. We performed certain procedures, as enumerated below, with respect to activities of the Skate Park Cash Collections in order to render a conclusion on the status of the recommendations made as a result of that audit.

This Post Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The conclusions of Audit 08-02 were:

1. Adequate written policies and procedures for cash collections do not exist.
2. Proper internal controls are not in place for the cash collection process.
3. Cash collections are not properly documented. However, it does appear they are submitted to the Treasurer's Office within the required three day period.
4. Funds are not being secured properly.
5. Due to insufficient documentation, we were unable to determine if membership cards have been issued properly.

The audit contained eight (8) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations #2, #3, #4 and #7 were implemented, recommendations #6, and #8 were partially implemented and recommendation #1 and #5 were not implemented.

#### **Recommendations Implemented [4]**

We recommended [**Recommendation #2**] the duties of receipting cash be handled separately from the employee who is performing the reconciliation and preparing the cash collection reports. Based on discussions with Skate Park management and staff, as well as an on sight visit, it appears they no longer have an individual manage all aspects of the cash handling, reconciling and reporting of cash collections.

We recommended [**Recommendation #3**] management enforce the written policy that requires one person per shift collect funds. Per discussions with Skate Park management and staff, it appears they no longer share cash registers. Only one person is allowed to collect funds per shift and a cash count is performed at shift change.

We recommended [**Recommendation #4**] a detail cash register receipt be provided to any purchaser of goods or services. We further recommended a conspicuous sign be posted that stated the following or something similar to: "If you do not receive a receipt for your purchase, please contact Internal Audit at 423-425-6202. The Skate Park management has posted the recommended sign and provides receipts to customers.

We recommended [**Recommendation #7**] the managers perform meaningful independent reviews in which source documents or other records are scrutinized to provide reasonable assurance that all collections are deposited to the bank in a timely manner. Also, we recommended a daily balance sheet be maintained for "Rain Days" to support the lack of cash collections as well as management review of employee timesheets for appropriateness based on the Skate Park's operating hours. Per discussions with Skate Park management and staff, as well as an on sight visit, it appears the department has maintained daily balance sheets for "rainy days" and the Skate Park co-managers are performing more thorough daily reconciliations of wristband usage to daily cash collections. Further, management stated they have reviewed employee timesheets and compared them to the operating hours. Employees are no longer allowed to report to work more than 1 to 1 ½ hours prior to the Skate Park's operating hours.

#### **Recommendations Partially Implemented [2]**

We recommended [**Recommendation #6**] deposits be made every night as required by the Skate Park's written policies/procedures. We further recommended that a security camera system be installed at the Skate Park to allow Parks and Recreation management to monitor daily operations. During discussions with Skate Park management, Ms. Hayes stated that due to safety issues the staff would not make nightly deposits on Friday and Saturday night. Ms. Hayes stated

the staff would be required to make Friday and Saturday night deposits on the following morning (Saturday and Sunday). Also, Ms. Hayes stated that due to budget constraints, a security camera system has not been installed. However, the department has included the purchase of the security camera system in their 2009-2010 capital budget requests.

We recommended [**Recommendation #8**] the frequent skater card be updated to provide space to write the name of the skater, the date of issue, and at each visit, the wristband number and date of visit. When the membership card is issued, the card number, date and employee's initials should be included on the frequent skater card. A copy of the frequent skater card should be included as supporting documentation with the daily balance sheet when a free membership card is issued. Based on discussions with Parks and Recreation Administration, the department decided to eliminate the frequent skater card program.

We further recommended the daily balance sheet be updated to include a log of membership cards issued each day. The log should provide the member's name, card number, and method of payment. We also recommended management perform a monthly reconciliation of the membership card inventory. Per our review, the daily balance sheet has not been updated. Per discussions with management, Ms. Hayes stated the membership card inventory has been reviewed and reconciled to cash collections only once in the past six (6) months.

### **Recommendations Not Implemented [2]**

We recommended [**Recommendation #1**] that Parks and Recreation management expand their current written policies/procedures to include all aspects of the cash collection process. The updated policies/procedures should be included in the Departmental procedures and posted on the City's intranet website. Once the expanded written cash collection policies are in place, we recommended that management provide each staff member with a copy of the policies/procedures and retain a signed acknowledgement of receipt. The department has not implemented this recommendation.

We recommended [**Recommendation #5**] that there should be a system to record information that identifies the facility, date of reservation and person making reservation and receiving funds. Recreation rental forms should be submitted with full payment in advance. In addition, maintenance of an electronic calendar (outlook) should be required. All facility rentals should be entered on the calendar at the time they are booked and reservation deletion rights should be limited to an individual that does not make reservations or collect deposits. We further recommended that recreation rental forms be a duplicate form with pre-printed numbers. One copy of the form should be provided to the customer and the other retained by the facility. Parks

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and Recreation Administration should conduct periodic reviews to ensure there are no missing (pre-numbered) forms, as well as make unscheduled visits to ensure the facility has not been rented without a calendar reservation. The department has not implemented this recommendation.

We thank the personnel in Parks and Recreation Department for their assistance in conducting this review. We will consider this report to be final unless directed to continue our review.

Sincerely,

Stan Sewell, CPA, CGFM  
Director of Internal Audit

cc: Dan Johnson, Chief of Staff  
Larry Zehnder, Parks and Recreation Administrator  
Greta Hayes, Assistant Director of Recreation